



CITY OF HAYWARD
AGENDA REPORT

AGENDA DATE 05/07/02
AGENDA ITEM 8
WORK SESSION ITEM _____

TO: Mayor and City Council
FROM: City Manager
SUBJECT: Acquisition of Property and Leasehold Interest in Former Albertsons Site

RECOMMENDATION:

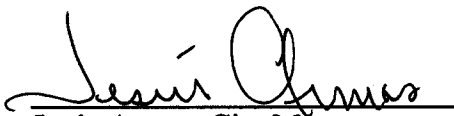
It is recommended that the City Council adopt the attached resolution providing a loan of \$3,740,000, to the Redevelopment Agency and amending the repayment agreement accordingly.

BACKGROUND:

The attached report describes acquisition of the former Albertsons site by the Redevelopment Agency. Clearly, this site serves as a vital and critical anchor to the downtown, and it is for this reason that its acquisition is being recommended.

To finance the purchase of the property and leasehold interest, it is recommended that the City provide the Redevelopment Agency with a loan of \$3,470,000. There are sufficient funds available in the fund balance of the General Fund for such a loan, without detracting or impairing the delivery of City services. It is not common for the City's General Fund to provide a loan of this magnitude to the Agency. However, it is being recommended in this instance due to the importance of this site to the numerous efforts underway to revitalize downtown. By enabling the City to directly determine the reuse of this important parcel, the ability to realize the goal of creating a vibrant and active downtown will be enhanced.

Once a determination is made relative to the final disposition and reuse of the property, a timetable for repayment of the loan can be established. Approval of this action would cause the existing Repayment Agreement between the Agency and City to be modified to reflect this new obligation.


Jesús Armas, City Manager

Attachment



CITY OF HAYWARD

AGENDA REPORT

AGENDA DATE 05/07/02

AGENDA ITEM _____

WORK SESSION ITEM _____

TO: Redevelopment Agency Board Members

FROM: Director of Community and Economic Development

SUBJECT: Acquisition of Property and Leasehold Interest in Former Albertsons Site

RECOMMENDATION:

It is recommended that the Agency Board adopt the attached resolution authorizing acquisition of the property and leasehold interest of the former Albertsons, and amending the Repayment Agreement between the Redevelopment Agency and the City.

BACKGROUND:

The proposed acquisition is the former Albertsons supermarket property at the corner of B Street and Foothill Boulevard. Albertsons vacated this store in November 2001 as a result of opening its new store at A Street and Mission Boulevard. The Agency has long been concerned with the future of this property due to its prominent location in downtown Hayward, and included requirements in its Disposition and Development Agreement with Albertsons for marketing its old store, as well as reasonable approval rights over a replacement use. Although Albertsons has marketed the property, they have been unable to attract the kind of retail use that staff believes will draw shoppers into the downtown and help create a lively, attractive and pedestrian-oriented ambience. Staff has also marketed the site to theater operators without success to date. As a critical entryway into the downtown, uses on site must be carefully considered. By owning and controlling the site, the Agency will have the ability to seek out users that might otherwise not consider the site. The Agency will also have greater control over any changes to the property, including consideration of a complete redevelopment of the site.

The property consists of a 2.44-acre site improved with a 27,912 square foot, freestanding concrete block retail store and approximately 130 parking spaces. The building was built in 1978, and was occupied by a Lucky supermarket, until that company's merger with Albertsons. The property has been under lease to Lucky Stores, Inc., and its successor, Albertsons, since 1978 under a 20-year lease with six five-year renewal options. As a result, Albertsons has the ability to continue its lease of the property until May 31, 2028.

The appraised fair market value of both the ownership and the existing leasehold interest is \$3,085,332. The total proposed acquisition price for the property and leasehold is \$3,450,000. This amount is less than 12% above the appraised value of the property, and staff considers the price to be within a reasonable range of value. Albertsons has one use restriction that they would place as a condition on the assignment and termination of its lease. That condition is that the property owner cannot allow a pharmacy use on the property for a period of 20 years. Given that Longs Drug Store is one block away, the Medicine Chest Pharmacy is less than two blocks away, and the Albertsons pharmacy is also nearby, it does not seem that a pharmacy use would be desirable in any event.

Albertsons real estate committee approved the assignment and termination of the lease on April 23, 2002, and the property owners have signed a Purchase and Sale Agreement.

If the acquisition is approved, the Agency will enter into a 60-day escrow period, and anticipates close of escrow in July 2002. During that time the staff will obtain a Phase I environmental assessment of the property, including an asbestos survey as necessary. Albertsons has an asbestos report that will be supplied to the Agency for its review. The recommended appropriation amount includes \$20,000 in additional funding for escrow and title, environmental investigations, and initial maintenance costs.

Within the next month, staff will solicit proposals from qualified retail brokers, and return with a brokerage contract for the Agency Board's consideration. Through this process, staff will also attempt to gain a better understanding of the potential users for this property. Target users would be retailers that could benefit from the Foothill Boulevard exposure and draw consumers into the downtown area on a regular basis, such as entertainment-oriented stores (books, music,) specialty food markets, general import stores, and other large format soft and hard goods. This strategy would focus on re-use of the existing building by one or more users, although redevelopment of the site would not be ruled out. Disposition of the property could either be under a long-term lease or sale of the property, depending on which proposals are submitted to the Agency.

Prepared by:



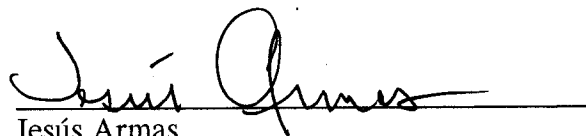
Maret Bartlett

Redevelopment Director

Recommended by:


Sylvia Ehrenthal
Director of Community and
Economic Development

Approved by:


Jesús Armas
Executive Director

Resolution

DRAFT

REDEVELOPMENT AGENCY OF THE CITY OF HAYWARD

RESOLUTION NO. RA-____

Introduced by Agency Member _____

RESOLUTION AUTHORIZING ACQUISITION OF THE PROPERTY AND EXISTING LEASEHOLD AT 22695 FOOTHILL BOULEVARD

WHEREAS, the owner agrees to this sale with full knowledge that the
Redevelopment Agency may put the premises to reuse; and

WHEREAS, the Agency proposes to acquire property and the existing leasehold
at 22695 Foothill Boulevard for redevelopment purposes; and

WHEREAS, the Agency has determined that said acquisition is of benefit to the
Project Area; and

WHEREAS, the Agency proposes to borrow the funds from the City of
Hayward for the acquisition and to repay those funds pursuant to an amendment to the
Repayment Agreement.

NOW, THEREFORE, BE IT RESOLVED by the Redevelopment Agency of the
City of Hayward that the Executive Director of the Redevelopment Agency of the City of
Hayward is hereby authorized and empowered to acquire the property and existing leasehold at
22695 Foothill Boulevard in an amount not to exceed 3,450,000, and appropriate \$3,470,000
from the Redevelopment Fund Balance (Fund 451) for said acquisition and related costs.

BE IT FURTHER RESOLVED that staff is hereby directed to amend the
Repayment Agreement between the Redevelopment Agency and the City of Hayward to reflect
the borrowing of funds hereinabove approved.

BE IT FURTHER RESOLVED that the Executive Director is hereby authorized
to negotiate and execute all documents necessary to carry out this transaction.

HAYWARD, CALIFORNIA _____, 2002

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST: _____

Secretary of the Redevelopment Agency
of the City of Hayward

APPROVED AS TO FORM:

General Counsel

DRAFT

HAYWARD CITY COUNCIL

RESOLUTION NO. _____

mrf

Introduced by Council Member _____

RESOLUTION AMENDING RESOLUTION NO. 01-095, THE
BUDGET RESOLUTION FOR THE CITY OF HAYWARD
FOR FISCAL YEAR 2001-2002, RELATING TO A
SUPPLEMENTAL APPROPRIATION TO BE USED FOR
ACQUISITION OF THE PREMISES AND LEASEHOLD AT
22695 FOOTHILL BOULEVARD

BE IT RESOLVED by the City Council of the City of Hayward that Resolution No. 01-095, the Budget Resolution for the City of Hayward for fiscal year 2001-2002, is hereby amended by a supplemental appropriation of \$3,470,000 from the General Fund Undesignated Fund Balance to be used for a loan to the Redevelopment Agency for acquisition of the premises and leasehold at 22695 Foothill Boulevard.

BE IT FURTHER RESOLVED that staff is hereby directed to amend the Repayment Agreement between the Redevelopment Agency and the City of Hayward to reflect the borrowing of funds hereinabove approved.

HAYWARD, CALIFORNIA _____, 2002

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward